

Grupo Lala

ISIN CODE: MX01LA040003

Overall score 23/100

Sector: Food Emerging Market

Information rate: 52% (Sector average: 45%)
Company cooperation level: Not responsive *

General information

Grupo Lala headquartered in Gómez Palacio, Mexico, engages in the production and distribution of dairy products. In 2016, the Company acquired "la Perfecta", a Nicaraguan company specialized in dairy products. In June 2016, the Group announced that it acquired Laguna Dairy, based in the USA.

Main Economic Segment**	Turnover 2016
Milk	63.3 %
Functional Dairy & Others	31.0 %
Drinks and Other	5.7 %

CORPORATE GOVERNANCE		
	2016	2017
100		
75		
50		
25		
0		
Score		23
Allegations		No
Rating		=
Risk management		Weak

Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo's framework has been adapted to capture the level of integration of CSR topics at Board-level, supplementing traditional signals on efficient governance practices. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics (CGV1.1). The audit and internal controls system is examined regarding the efficiency and reach of its risk management (CGV2.1). Shareholders are expected to have fair voting rights and access to all relevant information on material CSR issues (CGV3.1). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

Company performance

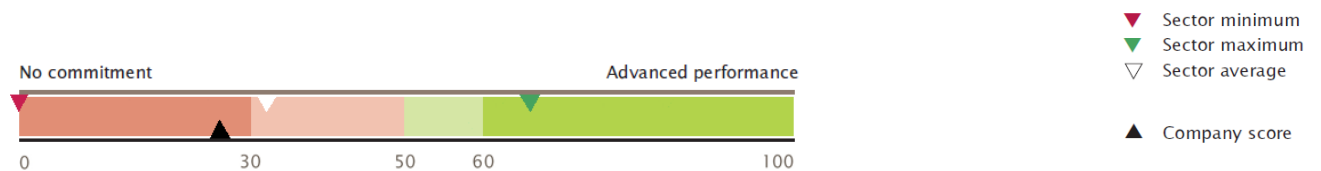
- Grupo Lala's performance in the Corporate Governance domain is weak in absolute terms, in line with its last review.
- Less than half of the Board of directors is considered independent, but the Audit Committee seems to be mostly independent, with committee members having both financial and operational experience. The Company's Board reports to have a role of a safeguard on transaction between major shareholders. Grupo Lala remains silent on executive remuneration.

Corporate Governance

Score : 23

CGV1.1 Board of Directors

(score: 26, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, but the chairman is not considered independent.
The chairman has been in the board for 25 years.

Responsibility allocated over CSR issues

Information on the responsibilities allocated over CSR issues is insufficient.

Share of independent shareholder-elected Board members

*The Board is between 34 and 50% independent, which is less than the recommended level.
Four members of the 9-member Board are considered independent.*

Diversity of the skills and backgrounds of the Board

*The Board of Directors diversity appears to be partial:
- Board members with demonstrated professional experience in the company's sector of activities.*

Training and expertise provided to board members

Information obtained from the company and public sources regarding training provided to board members is insufficient.

Regular election of Board members *Board members are elected every year.*

Evaluation of Board's functioning and performance *Information obtained from the company and public sources regarding the evaluation of board functioning and performance is insufficient.*

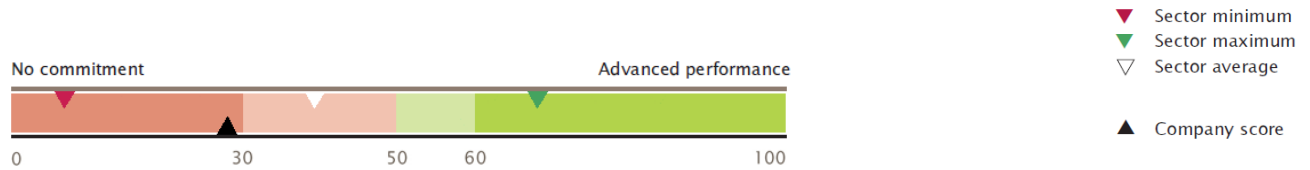
Review of CSR issues at Board meeting *The formal CSR reporting has been signed by Chairman, but there is no evidence that relevant CSR issues are reviewed at Board meetings.*

Regularity of and attendance at Board meetings *Information obtained from the company and public sources regarding the regularity of and attendance at board meetings is insufficient.*

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	>9 years on Board	Stock options	Paid > 1/2 executive salary	Represent >3% company's shares	Other	Independency
Eduardo Tricio Haro	Chairman		X			X	X		X					
Arquimides A. Célis			X					X						
Marcelo F. Gómez			X						X				Not considered independent by the company	
Juan Carlos Larrinag			X						X				Not considered independent by the company	
José Manuel Tricio			X						X				Not considered independent by the company	
Pablo R. González G.			X			X	X							X
Rafael Robles	Chairman Audit Committee		X			X								X
Blanca A. Treviño			X											X
Juan Pablo del Valle			X			X	X							X

CGV2.1 Audit & Internal Controls

(score: 28, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

3 members of the 4-member Audit Committee are considered independent

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or audit experience AND relevant operational experience.

Operational and CSR risks covered by the company's internal controls system

Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a limited role that includes:
 - *Oversee internal audit and internal controls;*
 - *Oversee the work of the external auditor.*

Management of the CSR risks

Information obtained from the company and public sources regarding the management of the CSR risks is insufficient.

Independence of the firm's external auditors

Information obtained from company and public sources regarding the independence of the firm's external auditors is insufficient.

Inclusion of CSR issues in the company's reporting

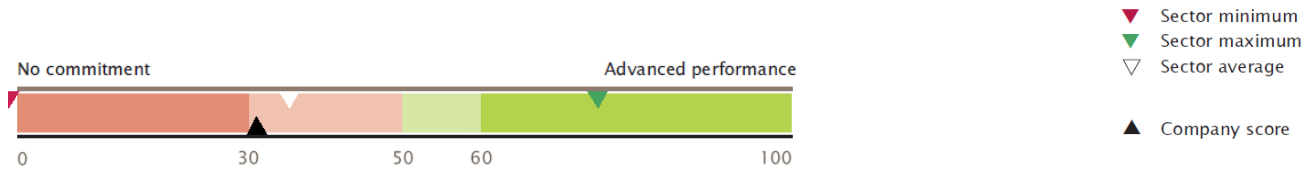
The company publishes significant CSR reporting on key material issues.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 10/2017, Grupo Lala did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 31, weight: 2)



Nonexistence of voting rights restrictions

The company respects the "one share - one vote" principle. *Grupo Lala states in its Bylaws that shares from the same serie confer the same voting rights, and that serie "B" shares give the right to one vote. Grupo Lala appears to have emitted only serie "B" shares.*

Safeguards on transactions with major shareholder(s)

Less than half of the board is independent. However, there are other safeguards in place to monitor transactions between the company and its major shareholder(s). *The company's bylaws establish that for any kind of transaction of more than 10% of the share pool of the company needs to be approved by the Board of directors. The request should be done by writing and give certain specific information, such as the number of shares, the nationality and identity of the buyer, etc.*

Ability to add items to the agenda of the AGM and to convene an EGM

Major restrictions have been identified to add items to the agenda of the AGM and to convene an EGM. *Shareholders need to own at least 10% of the total shares in order to request an EGM or to add items to the agenda.*

Access to voting at General Meetings

Information obtained from the company and public sources regarding the access to voting at the AGM is insufficient.

Ability to vote on relevant issues in separate resolutions at AGM

Information obtained from the company and public sources, regarding which items are customarily put to a vote at the AGM, is insufficient.

Presentation of CSR strategy to shareholders and investors

Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

Board's attitude towards CSR-related shareholder resolutions

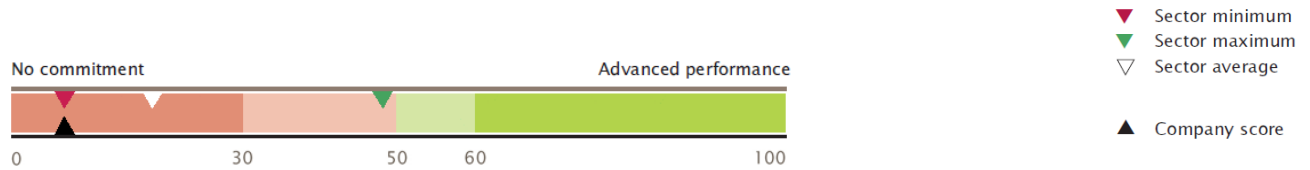
Information obtained from the company and public sources, regarding the Board's attitude toward legitimate CSR related shareholder resolutions is insufficient.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral. *As of 10/2017, Grupo Lala did not appear to be involved in any controversy related to this sustainability driver.*

CGV4.1 Executive Remuneration

(score: 7, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

No specific committee is in charge of executive remuneration, which might raise concerns.

Disclosure of senior executives' individual remuneration

Disclosure of individual executive remuneration data for senior executives is insufficient.

Link between Short Term Incentive Plans and the performance of the company

There is no disclosure on what rules guide the company in allocating bonuses and other short-term incentives to senior executives.

Link between the main Long Term Incentive Plan and the performance of the company

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

Link between variable remuneration and CSR performance of the company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

Severance pay for senior executives

Information obtained from the company and public sources regarding severance pay for senior executives is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from the company and public sources regarding the compensation of CEO and the average employee salary is insufficient.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral
As of 10/2017, Grupo Lala did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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